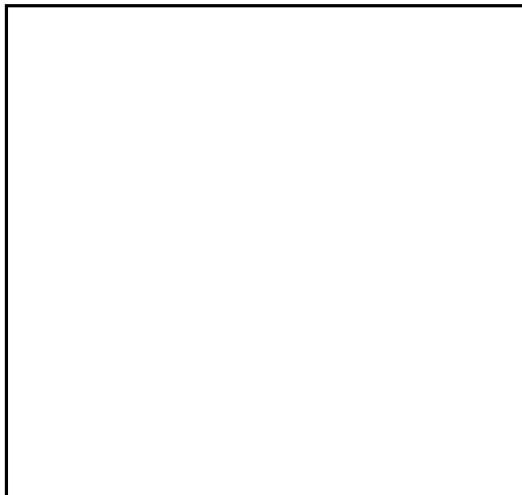


DD/ST# 084-70

Minutes of the Agency Contract Review Board

17 December 1969

PRESENT: George E. Meloon, D/L  
John F. Blake, DD/L



1. [ ] opened the meeting with the following comments of a general nature:

a. During recent deliberations on a proposed contract with [ ]  
[ ] at least two members questioned the data placed on the docket form itself. More specifically it was their contention that too much operational data had been incorporated. The D/L now has stated that, in his opinion, sufficient information should be included on dockets to insure that the case could be understood clearly by individuals who are not contracting officers.

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b. [ ] now has completed a second paper on the [ ] case. This case has been selected as one to be reviewed for possible use in an on-going study covering overruns and changes in scope.

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c. The next meeting of the ACRB is scheduled, tentatively, for 7 January 1970.

Declassification Review by NGA

d. The first meeting of the Procurement Policy Panel (PPP) has been held. One of the subjects to be considered by the PPP at an early date will be Agency use of CPAF contracts, a subject rising out of a recent ACRB meeting.

e. Some consideration has been given to a proposal that funds for cost type R&D contracts be committed at 103% of the estimated contract cost. The extra 3% would not be made known to the contractor but would be held in escrow for use in paying overrun costs. The members of the ACRB, when polled, were all against this concept.

f. For some time OL has been preparing a new procedure for more adequate control and utilization of government property in the possession of contractors. This procedure, in the form of a Handbook, is now in publication channels.

25X1 g. At [ ] request [ ] summarized Agency procurement status as of the end of November. This summary stressed the fact that total procurement activity is at about the same level as it was the same time last FY. 25X1

25X1 h. [ ] advised the group that he had received a call from  
25X1 [ ] TSD, with respect to the increased costs of Agency contracting.  
25X1 [ ] stated that [ ] was looking into this matter at the request of OPPB. At this point [ ] noted that he too had had a  
25X1 brief discussion with [ ] OPPB, on this same subject and that some consideration was being given to discussing the subject with BOB. Further development of this subject is indicated. 25X1

25X1 i. There is some possibility that an existing OC contract with [ ]  
25X1 [ ] will be subject to a rather drastic change in scope further complicated  
25X1 by a potential overrun. At [ ] request [ ] presented to the group an excellent encapsulated summary of the case which involves work on the [ ] 25X1

2. Next on the agenda was the regularly scheduled Logistics Briefing which in this instance covered the subject of sub-contracting.

3. As the final presentation on the agenda, the following contract matters were discussed:

1 a. [ ] During a previous meeting it developed that the contractor might be in financial difficulty. At that time the audit advisor was asked to review the financial aspect of the contractor especially the area of indirect

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X1 costs. Today [ ] reported on ICAD's findings noting that there is no evidence of financial weaknesses as evidenced by among other things, the fact that indirect costs have risen only 26% from 1965 to 1969. Although this rate of increase is acceptable, [ ] stated that ICAD would continue to watch the financial status of [ ]

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25X1

K1 b. A recent case involved an [ ] overrun of [ ] on a contract originally estimated at [ ]. During review of this case with board members the DD/P representative made the observation that this overrun actually might well be a change in scope. Although no additional comments were forthcoming the case will be considered together with the [ ] contract, when the position paper on overruns vis-a-vis changes in scope is finally prepared for submission to the board.

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1 c. [ ] This case involves a change in scope estimated to cost [ ]. As there was nothing controversial the board recommended D/L approval. [ ] noted in summary that the optic system involved still needs some improvement although the systems electronics now are adequate.

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1 d. [ ] This Contractor has had a history of not being able to control his burden rates and as a consequence the Agency has been forced to impose ceilings. This submission involves an overrun of [ ] which is about 40% of the original target cost. Included in this overrun however are G&A costs computed at 69% which is well above the ceiling of 40% established by the negotiator and will not be allowed. The board recommended the overrun for D/L approval but suggested that DD/S&T attempt to develop another source.

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e. [ ] In this instance the board reviewed the definitized contract negotiated under D/L approval granted on 30 June 1969. The negotiator had done an excellent job in arriving at a FP contract which includes a [ ] performance bonus. The board recommended the case for D/L approval. [ ] suggested that the CO and COTR be invited to brief the board on the techniques and philosophy involved in arriving at this very fine contract. The board agreed and this presentation will be scheduled for an early meeting.

f. [ ] The D/L previously approved the execution of this contract on 23 October 1969 with the request that the contracting officer keep the ACRB advised of this contractor's performance. This information was provided in a memorandum dated 9 December 1969. In his memorandum [ ] the contracting officer, noted that the contractor is spending allocated funds at too high a rate and that unless this expenditure rate is reduced there is a strong possibility

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that an overrun will be experienced. There is no cost ceiling provision in the contract. The board was satisfied with the close supervision being provided by both the CO and the COTR and did not recommend that a cost ceiling be established. The board did recommend however that a follow up report on this contract be provided in 30-60 days.

4. Prior to adjournment [ ] made the following two comments:

a. He suggested that OGC be asked for a ruling with respect to use of prior year funds for changes in scope. At present such funds can only be used for overruns and this limitation often leads to a situation in which a contractor is charged with an overrun which is, in fact, a change in scope.

b. He suggested that some effort be made to survey existing government laboratories for unused capability which the Agency might utilize. He mentioned specifically the [ ] installation. There was general agreement with this proposal. [ ] will assume responsibility for the necessary research.

[ ]

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Chairman  
Agency Contract Review Board